



The FIP Report

Office of the Assistant Secretary of the Army (Financial Management & Comptroller)

June 2012



Message from the Director

In an era where every dollar counts, financial improvement is a priority at all levels of the Army. Look at key Army strategy documents and you will see what I am talking about.

The Army Campaign Plan highlights financial improvement as part of the efforts to "Optimize Business Operations." Goals to strengthen financial management in the plan include:

- Achieve and sustain effective internal controls.
- Achieve and sustain audit readiness.
- Provide for operational efficiencies through more readily available and accurate cost and financial information.



*James J. Watkins
Director,
Accountability and
Audit Readiness*

In the **Secretary of the Army's 2012 Top 10 Priorities**, four of the 10 touch on accountability and financial improvement:

- #1. Ensure a highly capable force within evolving budgetary constraints.
- #2. Transform the institutional Army.
- #3. Build the Army of 2020 (POM 14~18).
- #8. Ensure accountability.

Secretary McHugh, in explaining the first priority above, talks about the Army needing to "do things faster, smarter, cheaper, and better." He calls for innovation and creativity for us to find savings while we "maintain critical operational capabilities, sustain force structure, maintain family service programs, and invest in needed modernization." The case study on page four is an excellent example of what the Army is capable of when challenged to reduce costs and still meet the mission.

On the next page of this newsletter you will find a message from the Army Chief of Staff sent to General Officers explaining their role in financial improvement and audit readiness efforts. This show of support from top leadership is just the first step in implementing culture change. We are actively working to engage Commanders and others in the field to help them understand their role in the Army's transformation of its business operations.

We will explore what is working in the field and how to address remaining challenges at our upcoming Financial Improvement Workshop on July 10-11 in Arlington, VA. I especially want to hear from you about what is working, new innovations, and how we can replicate success across the Army. ■

Contents

CSA Sends Audit Readiness Message to General Officers -----	2
Register for the 2012 Financial Improvement Workshop --	3
Case Study: Financial Culture Change at Signal Corps ---	4
July Begins with Two Major Milestones -----	5
The Role of MICP and ICOFR in Auditability -----	6
Online Training Now Available-----	7

Accountability and Audit Readiness

The Accountability and Audit Readiness Directorate oversees the Financial Improvement Plan (FIP) that guides audit readiness efforts.

We are all accountable for managing the Army's dollars and resources. Accountability leads to a stronger Army and a clean audit opinion, which proves we are responsible stewards of taxpayer dollars and justifies funds we request from Congress.

Ultimately, accountability and audit readiness are inherent to Army's mission because they allow us to better support the warfighter through better management of Army resources.

Contact Us

usarmy.pentagon.hqda-asa-fm.mbx.audit-readiness

Visit Us on AKO

www.us.army.mil/suite/page/auditready
(Log into AKO first)



CSA Sends Audit Readiness Message to General Officers

Sent: Monday, April 16, 2012 12:52 PM

To: General Officer Management Office (GOMO)

Subject: CSA Sends - Army Financial Improvement and Audit Readiness, dtd 16 April 2012

Importance: High

Leaders,

The United States Congress and the Secretary of Defense mandated the Army improve business processes to enable a successful audit of our budgetary resources, military equipment, general equipment, munitions, and real property. This mandate reinforces our legal obligation as responsible stewards of taxpayer resources and requires a focus on sound business process controls. Our controls must be improved to enable the Army to assert audit readiness of budgetary resources by 30 June 2014.

Responsible stewardship of taxpayer resources and operating business processes within an effective control environment are consistent with high standards of military readiness and support Army values. Leaders at all levels are responsible for instilling proper levels of discipline and oversight into all business processes within their command. The processes span all functional areas of our Army - resource management, acquisition, personnel, and logistics. Auditability is not just a Comptroller function.

The Assistant Secretary of the Army (Financial Management & Comptroller) (ASA (FM&C)) mobilized an audit readiness team and has developed a detailed Financial Improvement Plan that serves as the Army's roadmap to improved business controls and audit readiness. The improvement plan covers key business processes including personnel, acquisition, logistics, and installation management. Resources available to your staff on the AKO audit readiness site include the Command and Installation Audit Readiness Guide and self-assessment checklists. The attached ASA (FM&C) memorandum contains additional guidance and instructions for completion of the Army Commanders' Audit Readiness Checklist that must be completed by each command.

I will routinely review the plan's key milestones and readiness review results to ensure we remain on track. We must make every dollar count and be accountable to ourselves, the Congress, and the American people.

Raymond T. Odierno
General, 38th Chief of Staff
United States Army

The Strength of our Nation is our Army

The Strength of our Army is our Soldiers

The Strength of our Soldiers is our Families

This is what makes us "Army Strong" ■



General Raymond Odierno is the Chief of Staff of the Army (CSA). He sent the GOMO message on April 16, 2012 to convey the importance of audit readiness.



VCSA Message

On April 26, 2012 Vice Chief of Staff of the Army (VCSA) Lloyd Austin sent a message about property accountability through the GOMO. In the message he stated:

"Everyone in the Army is responsible for accounting for assigned property and other resources. By effectively accounting for our property we will ensure we are responsible stewards of taxpayer dollars. This will ultimately enable a stronger and more capable Army."



Register for the 2012 Financial Improvement Workshop

The 2012 Army Financial Improvement Workshop will explore how the Army will continue to build and sustain an audit-ready enterprise.

When: Tuesday, July 10 through Wednesday, July 11, 2012.

Where: Crowne Plaza National Airport Hotel, Arlington, VA.

You can register by emailing lisa.r.tyler2.ctr@mail.mil and providing your name, organization or Command, phone number, and email. Please register for the Workshop by June 29, 2012. Spaces are limited. ■

Agenda

Tuesday, July 10, 2012		
Time	Topic	Room
0800 – 0815	Welcome and Opening Comments	Meeting Room
0830 – 0900	Emerging Resource Challenges	Meeting Room
0900 – 0930	Leadership Perspective on Transforming the Business Environment	Meeting Room
1015 – 1100	OASA(FM&C) Leadership Briefing	Meeting Room
1000 – 1015	Break	
1015 – 1100	Army General Fund Audit Readiness Update	Meeting Room
1100 – 1145	DFAS Audit Readiness Update	Meeting Room
1145 – 1300	Lunch	
1300 – 1345	GFEBS Audit Readiness Post-Deployment	Meeting Room
1345 – 1430	Progress in GCSS-A and LMP	Meeting Room
1430 – 1515	Break	
1515 – 1545	G4 Perspective on E&C	Meeting Room
1545 – 1600	Recap & Closing	Meeting Room
Wednesday, July 11, 2012		
Time	Topic	Room
0800 – 0815	Town Hall	Meeting Room
0815 – 0915	Sustaining Audit Readiness	Meeting Room
0915 – 0930	Break	
0930 – 1445	SBR and E&C Breakout Sessions	
0930 – 1130	SBR: Corrective Actions	SBR Room
0930 – 1130	E&C: Corrective Action Workshop	E&C Room
1130 – 1300	Lunch	
1300 – 1330	SBR: What to Expect and SBR Lessons Learned	SBR Room
1300 – 1345	E&C: Sustainment	E&C Room
1330 – 1430	SBR: Corrective Action Implementation	SBR Room
1345 – 1430	E&C: Real Property Update	E&C Room
1430 – 1445	Break	
1445 – 1545	Training Options Overview	SBR Room
1445 – 1545	Internal Control Training	E&C Room
1545 – 1600	Recap & Closing	Meeting Room

Upcoming Confirmed Site Visits

Team	Site	Date
ME/GE	USAEUR	6/18-6/29
ME/GE	Fort Leonard Wood, MO	6/13-6/13
ME/GE	Fort Richardson, AK	6/4-6/15
ME/GE	Fort Stewart, GA	6/18-6/22
ME/GE	Fort Wainwright, AK	6/4-6/15
SBR	ARNG Alabama	6/1/-6/22
SBR	ARNG Missouri	6/25-6/29
SBR	ARNG Montana/JFHQ	6/27-6/27
SBR	ARNG Texas	6/4-6/8
SBR	ARNG Virginia	6/4-6/8
SBR	ARNG Utah	6/25-6/29
SBR	Fort Hood, TX (Military Pay)	6/25-6/29
SBR	Fort Wainwright, AK	6/11-6/14
SBR	Joint Base McGuire-Dix Lakehurst, NJ (99 th RSC)	6/4-6/7
EL	ARNG Montana/JFHQ	6/27
EL	Pohakuloa Training Area, HI	6/20-6/20
RP	Fort Carson, CO	5/21-6/8
RP	Fort Sill, OK	5/28-6/22
RP	Schofield Barracks/Fort Shafter, HI	6/18-7/13
OM&S	Schofield Barracks, HI	6/18-6/29
OM&S	Joint Base Lewis-McChord, WA	6/18-6/29
OM&S	Yakima Training Center, WA	6/25-6/29

SBR site visits include training. Go to our AKO site for schedule updates.

Terms

- **ARNG:** Army National Guard
- **ME/GE:** Military Equipment / General Equipment
- **OM&S:** Operating Materials & Supplies
- **RP:** Real Property
- **SBR:** Statement of Budgetary Resources

Case Study: Financial Culture Change at Signal Corps

In 2009 Joe Capps was the deputy to the Commanding General of the Signal Center of Excellence at Fort Gordon, GA. He took on a cost saving endeavor initially as part of a business school project that resulted in a \$26 million savings on purchases in the first year. In this interview for *The FIP Report*, Mr. Capps details how the project changed the culture of the organization and what lessons other organizations could learn.

How did this cost savings project start?

I did not have a whole lot of financial management training when I started in my position at the Signal Center of Excellence. I'm an engineer by trade. I had a year-long assignment for my MBA program to learn how to apply a for-profit financial model to a government organization. The more I got into it, the more I realized there was value to applying for-profit approaches in a government organization.

What was your approach?

We had two main concepts to our approach. First, know where your money is getting spent. Second, get the leadership involved.

Knowing where your money is spent is not as easy as it sounds. We created a statement of earnings. It let us track where our money was going. The second part entailed making purchasing decisions a leadership decision-making process instead of a financial decision-making process. We formed a business council that reviewed purchases. The council consisted of the five people, including me, that answered directly to the Commanding General who were pretty much responsible for everything in the organization. We reviewed all purchases. Once you know where your money is going and put the decisions in the hands of your leaders, you can ensure that what you are spending applies real value to the Army.

Of course, anyone can stop spending money. The real question is can you still complete the organization's objectives? We reduced spending but still accomplished all of our objectives in 2010 that we had in 2009. I left in 2011, but when I went back last year and checked, that level has gone down even further and they are still meeting their mission objectives.

If others were to try and replicate this, what advice would you give them?

Find out where your money is going and translate it into language your leaders understand. I had reams of spreadsheets with codes that financial people had to explain to me. Your financial staff knows how the money is spent. They have to be your decoders. You have to spend a lot of time getting down to the detail level with the people who are managing the finances.

Once you have done that, get your organization leaders involved in the processes. You do not have to have a committee, but you must get the leaders involved. By the end of this process I had people coming to me offering specific cuts because they took ownership of this process. You have to change their hearts. If you don't do that, driving them to success is not going to happen.



Joe C. Capps is currently the executive director to the Commanding General, U.S. Army Installation Management Command, Fort Sam Houston, Texas.

"Of course, anyone can stop spending money. The real question is can you still complete the organization's objectives?"



How do you change a culture trained to believe you have to spend your money or lose it?

You must over-communicate your goal. We started out that way. We have a contract that pays for three people. I'd ask if we could do the work with two people. The answer would be "But they sent us the money! If we don't burn it, it goes away!" No! The objective is not to spend the money, it is to accomplish the mission spending the least amount of money you can.

The first time you say that, it doesn't sink in. People have been taught for 20 or 30 years of their careers to spend the money. The leaders have to over-communicate the point to reinforce it. They shouldn't browbeat people, but state in a positive way the goal is to accomplish the mission, not spend the money. That has to be the leaders' strategic vision and said over and over until no one wants to hear it anymore. Then they begin to believe it and you see a change. ■

July Begins with Two Major Milestones

On July 1, the Army will submit two assertion packages, one for SBR and one for E&C. These examinations offer third-party validation that the Army is on the right path to reach the SBR 2014 deadline and the overall audit readiness deadline in 2017. Results from both exams should be available in late 2012.

SBR will assert for Exam 2, which covers the 10 General Fund Enterprise Business System (GFEBS) Waves 1 and 2 Sites and nine business processes. This is the second of three preliminary exams conducted by an independent auditing firm to occur before the full SBR assertion deadline in 2014.

E&C will assert the OM&S "Quick Win" assets, which covers Javelin, Hellfire, and Tube-launched Optically-tracked Wire-guided (TOW) missiles. The Department of Defense Office of the Inspector General will perform the OM&S "Quick Win" assets validation assessment. ■

SBR "Office Hour" Calls

The Statement of Budgetary Resources (SBR) team holds "Office Hour" calls every Tuesday and Thursday from 1330 to 1530 EST to answer questions regarding internal control requirements and documentation for sites filling out their pre-site questionnaire or addressing corrective actions after a site visit. **Please note the updated passcode number.**

Call in: 1-888-426-6840, 14450248#.

For more information, contact Sharon Hale (sharon.g.hale2.civ@mail.mil) or Viana Rickett (viana.m.rickett.ctr@mail.mil).



NEW! Commanders Checklist

This new resource has been posted to the Audit Readiness AKO site to assist Army Commands and Installations in becoming audit ready.

This checklist provides a comprehensive list of the internal controls that need to be in place within an organization.

NEW! FIAR Plan Status Report May 2012

The latest report to Congress showing the progress and plans of each of the military Services, including the Army, can be found at: <http://comptroller.defense.gov/fiar>.

Top Resources on AKO

The AKO Audit Readiness site has a "Top Audit Readiness Resources" list in the upper right corner of the page to help visitors get to important documents quickly.

Top Audit Readiness Resources	Options
Army Internal Control Self Assessment Questionnaire	
Command and Installation Audit Readiness Guide	
Commander's Audit Readiness Checklist	
Control Catalogs	
FY 2012 Audit Readiness Strategy	
Site Visit Schedule	



The Role of MICP and ICOFR in Auditability

The Office of Management and Budget (OMB) defines internal control as tools (e.g., policies, procedures) to help program and financial managers achieve results and safeguard the integrity of their programs. Audit readiness depends on having strong internal controls in place.

OMB issued Circular A-123, Management's Responsibility for Internal Control, which provides guidance to Federal agencies on improving the accountability and effectiveness of their programs and operations by establishing, assessing, correcting, and reporting on internal controls. Following OMB Circular A-123's guidance, the Army issued Regulation 11-2, Army Managers' Internal Control Program (MICP). OASA(FM&C) manages the Army MICP.

All Army commands and staff have a role in the MICP. MICP covers three types of internal controls: financial, operational, and system controls. MICP monitors, implements, and corrects internal controls in all three areas. Army monitors its financial reporting internal controls through its Internal Controls over Financial Reporting (ICOFR) program. Effective internal controls in mission and operational areas help ensure mission success, and have a direct impact on the Army's audit readiness effort.

The Army established the Senior Leader Steering Group (SLSG)/Senior Assessment Team (SAT) to monitor the MICP. The SLSG/SAT is chaired by the Deputy Assistant Secretary of the Army (Financial Operations) (DASA (FO)) and includes General Officer and Senior Executive Service (SES) representatives from Army headquarters and secretariat organizations. The SLSG/SAT meets at least four times a year to resolve weaknesses in internal control.

With the SLSG's oversight and Army's Senior Leadership's operational execution of the MICP program, the Army will be able to sustain the improvements gained through its audit readiness efforts. The evaluation and improvement of internal controls allows for synergies of effort between audit readiness activities and internal control reporting requirements. Several of the key audit readiness tasks can be used to meet the requirements of OMB Circular A-123. For example, documents created, such as process flowcharts and narratives, can be used in the discovery and evaluation phases of audit readiness.

Once the Army achieves an auditable state, annual MICP and ICOFR activities will ensure continued sustainment by ensuring that deficiencies in internal control are identified in a timely fashion and corrective action plans are implemented to resolve those deficiencies. As part of the MICP, OASA(FM&C) gathers the information included in the annual Army Statement of Assurance. The Secretary of the Army issues the Army's Statement of Assurance, which provides a status of outstanding weaknesses in internal control, to the Office of the Under Secretary of Defense (Comptroller).

Efforts to ensure strong internal controls are in place do not end when the Army achieves a clean audit opinion on its financial statements. The MICP will indefinitely establish, monitor, correct, and sustain internal controls to sustain an auditable state. ■

Heard on the Hill

"The first thing I want to tell you is that your Army leadership is really engaged. I believe we have a sound plan to achieve an auditable Statement of Budgetary Resources by the end of fiscal year 2014 and a full financial statement of audit readiness by the end of fiscal year 2017."

—The Honorable Dr. Joseph W. Westphal, Chief Management Officer of the Army at a hearing held by the U.S. Senate Armed Services Committee (Subcommittee on Readiness and Management Support), April 18, 2012

"Because of the amount of resources dedicated to and importance of military pay, the Army and the Defense Finance and Accounting Service must ensure controls are in place to continue paying Soldiers the right entitlements, in the right amounts, at the right time, and to accurately report these transactions on the financial statements."

—Mr. James J. Watkins to a joint panel on military pay held by the House Oversight and Government Reform (Subcommittee on Government Organization, Efficiency, and Financial Management) and Senate Homeland Security and Governmental Affairs Committee (Subcommittee on Federal Financial Management), March 22, 2012



Online Training Now Available

More than 7,000 people have participated in instructor-led audit readiness training at 58 sites. Web-based versions of the training are beginning to roll out.

The online training is hosted on the Army Learning Management System (ALMS), and features a competency-based curriculum to ensure participants have the foundational knowledge needed to become audit ready. The first module currently available online is the Army Audit Readiness overview, which covers the background information leading to the current state of the audit readiness effort, describes the basics of a financial statement audit, and explores the Army's approach to achieving audit readiness.

To take the online training, go to AKO (<https://www.us.army.mil>). From the menu along the top select Self Service > My Education. Click on the "ALMS" box. Choose the "Catalog Search" button. Search for "Army Audit Readiness." This will pull up all audit readiness courses available. Select the course you want to take, and click the "Register" link. Click the "Continue Registration" button. Launch your course by clicking the "Launch Content" button. You may receive a notification at the top of your browser asking you to enable pop-ups to proceed.

For questions regarding training, or to request training for your organization, please contact Joshua Miller via e-mail at joshua.b.miller34.ctr@mail.mil.

Audit Readiness Training

Overview Training

- Army Audit Readiness (**online now**)
- Army Financial Improvement Plan
- Internal Controls
- Testing
- Corrective Action
- Army Audit Data Repository

SBR Process Training

- Army-wide
- Contracts
- Reimbursables In/Out
- Temporary Duty Travel
- Civilian Pay
- Government Purchase Card
- Miscellaneous Pay
- Supply

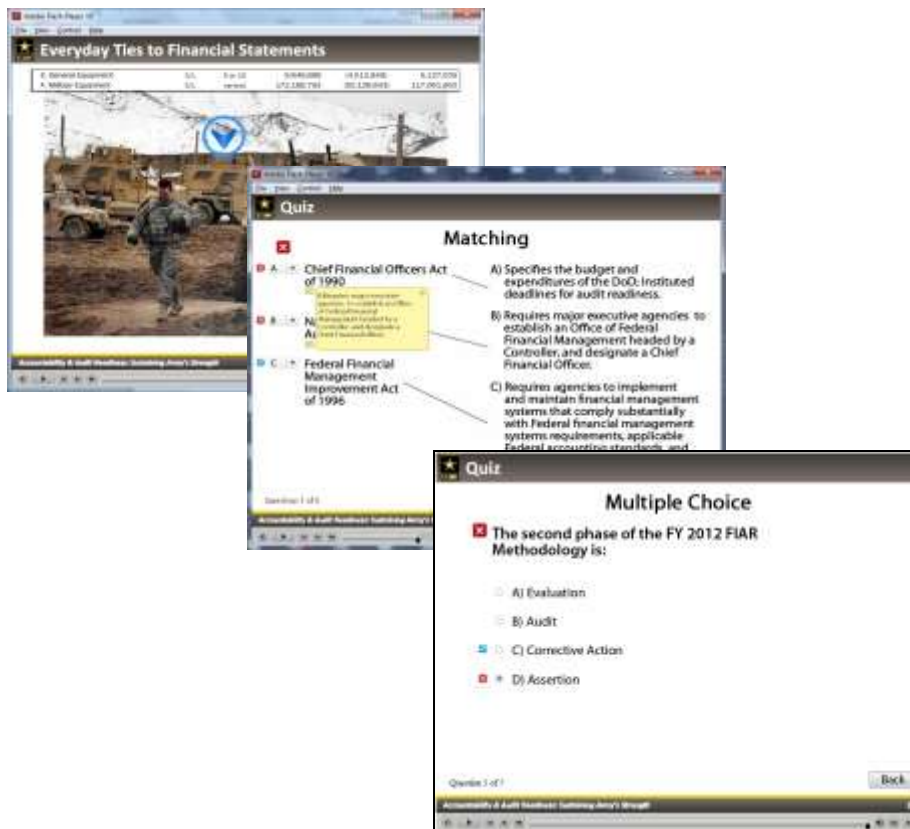
E&C Process Training

- ME/GE
- OM&S

Stay tuned to AKO to find out when additional courses will be available online.

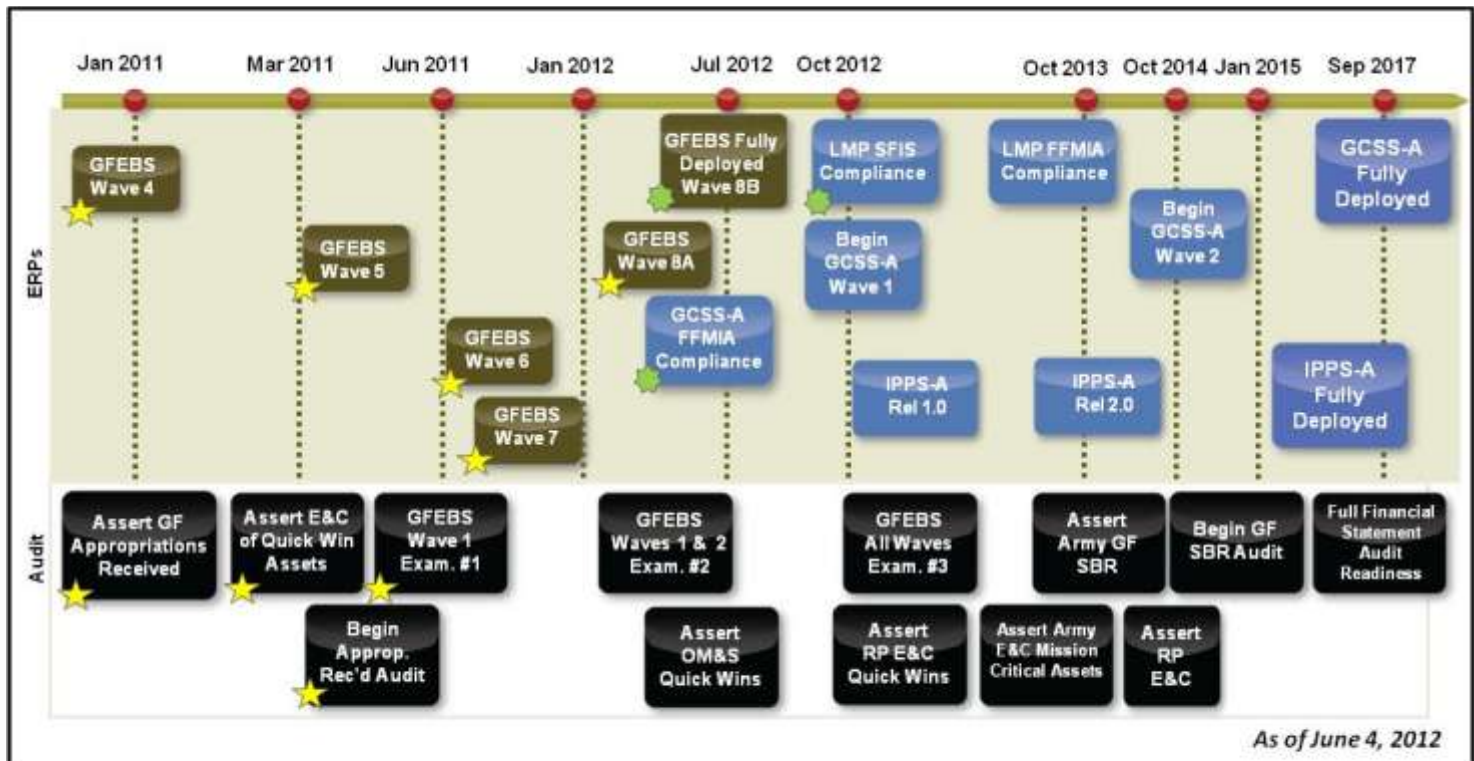
TRADOC Audit Readiness
"Achieving audit readiness is not optional and is the direct responsibility of every commander, leader, and program manager throughout TRADOC."

—TRADOC Commanding General Robert W. Cone in a June 5 memo. The memo can be found on the AKO Audit Readiness site.





Audit Readiness Milestones



Complete



In Process

Milestone	Start Date	Complete Date
Verify using Independent Audit Firm		
GF SBR Exam #1 - GFEBS Wave 1 Sites (5 processes)	✓	✓
GF SBR Exam #2 - GFEBS Waves 1 & 2 Sites (9 processes, GFEBS, DFAS)	7/1/12	12/31/12
GF SBR Exam #3 - All Army GF Activity in GFEBS (11 processes, GCSS-A)	7/1/13	12/31/13
OM&S E&C - Javelin, Hellfire, TOW Missiles	7/1/12	12/31/12
E&C of Real Property at 20 Installations	1/1/13	6/30/13
E&C of Military Equipment, General Equipment, & all OM&S	1/1/14	6/30/14
E&C of all Real Property	10/1/14	3/31/15
Verify using Army Audit Agency		
FFMIA Compliance of GFEBS	✓	✓
FFMIA Compliance of GCSS-A	✓	6/30/12
FFMIA Compliance of LMP	✓	9/30/13
Verify using Office of the Under Secretary of Defense (Comptroller)		
Audit goals in all Senior Executive Service (SES) performance plans	✓	✓